

Cheltenham Borough Council

Audit, Compliance and Governance Committee

28 May 2025

Counter Fraud and Enforcement Unit Report

Accountable member:

Cabinet Member Finance and Assets, Councillor Peter Jeffries

Accountable officer:

Paul Jones, Deputy Chief Executive (S151 Officer)

Ward(s) affected:

All indirectly

Key Decision: No

Executive summary:

The purpose of the report is to provide the Audit, Compliance and Governance Committee with assurance over the counter fraud activities of the Council. Direct updates will continue to be provided biannually.

Work plans are presented detailing progress and results for consideration and comment as the body charged with governance in this area.

The report also provides the annual update in relation to the Regulation of Investigatory Powers Act 2000 (RIPA), the Investigatory Powers Act 2016 (IPA) and the Council's existing authorisation arrangements.

Recommendations:

That the Audit, Compliance and Governance Committee:

Considers and comments on the report.

1. Implications

1.1. Financial, Property and Asset implications

The Council has a duty to prevent fraud and corruption with Section 3 of the report providing members with an update on the work of CFEU and the increased revenue and penalties applied following casework and successful investigations. The report details the following:

- Revenue - £124,412 (includes Council Tax revenue which is ultimately shared amongst precepting authorities)
- Penalties - £1,743
- Loss Avoidance - £34,264

The service is a shared one across the County and as such overheads and management costs are also shared equally meaning there is increased value for money however there are other counter fraud provision options which could be considered if the Council wished to explore alternative arrangements.

Signed off by: Gemma Bell, Director of Finance and Assets (Deputy S151 Officer), Gemma.Bell@cheltenham.gov.uk

1.2. Legal implications

In general terms, the existence and application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

The Authority is required to ensure that it complies with the Regulation of Investigatory Powers Act 2000, the Investigatory Powers Act 2016 and any other relevant/statutory legislation regarding investigations. Any authorisations for directed/covert surveillance or the acquisition of communications data undertaken should be recorded appropriately in the Central Register.

Signed off by: One Legal, legalservices@onelegal.org

1.3. Environmental and climate change implications

None directly.

1.4. Corporate Plan Priorities

This report contributes to the following Corporate Plan Priorities:

- Being a more modern, efficient and financially sustainable council

1.5. **Equality, Diversity and Inclusion Implications**

The promotion of effective counter fraud controls and a zero-tolerance approach to internal misconduct promotes a positive work environment.

The Counter Fraud and Enforcement Unit seeks to ensure that public authorities' actions are consistent with the Human Rights Act 1998 (HRA). It balances safeguarding the rights of the individual against the needs of society as a whole to be protected from crime and other public safety risks.

2. **Background**

- 2.1. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or a Councillor.
- 2.2. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate priorities and community plans.
- 2.3. The Audit, Compliance and Governance Committee oversees the Council's counter fraud arrangements, and it is therefore appropriate for the Committee to be updated in relation to counter fraud activity.
- 2.4. Work plans have been agreed with the Director of Finance and Assets, the Director of Governance, Housing and Communities and members of the Councils Senior Management and details relating to work delivery are presented in this report to Audit, Compliance and Governance Committee, as the body charged with governance in this area.
- 2.5. The work plan for 2024/25 included a focus on fraud risk mitigation regarding grant schemes and polygamous working as high-risk areas. A Grant Management Policy has been approved and the supporting toolkit detailing fraud risk areas, mitigation and suggestions relating to verification activities has been drafted for consideration by Governance Group and the Corporate Leadership Team. The work stream regarding polygamous working has commenced and initial engagement will be made with Human Resources. A

further update will be shared in the next report to Audit and Governance Committee.

- 2.6. The work plan for 2025/26 includes a focus on procurement following the introduction of the new legislation. A work stream will be developed with Internal Audit (SWAP) to provide assurance in this area. In addition, the team will be developing a more relatable and streamlined approach to fraud risk and whistle-blowing training to ensure awareness is raised with all staff across the organisation.

3. Reasons for recommendations

- 3.1. The Counter Fraud and Enforcement Unit (CFEU) Head of Service forms part of the core Multi-Agency Approach to Fraud (MAAF) group. The core group consists of attendees from Gloucestershire Constabulary Economic Crime Team, Trading Standards, Victim Support, NHS and colleagues from Gloucester City and County Councils. The MAAF has been set up to discuss fraud trends, victim care and communication of fraud scams across Gloucestershire. Through collaborative working the main purpose is to raise awareness to minimise and disrupt fraud.
- 3.2. The Gloucestershire MAAF webpage is now in development. A campaign to launch this will be publicised soon. The website is an opportunity to put in place a communication medium that will be accessible to residents and staff in the county and beyond. This dedicated webpage will enable the group to shape fraud related messaging and offer guidance, advice on fraud and signpost people to the support that is available. The site will enable the group to educate our communities on the changing threat and to provide success stories and testimonials in order to reduce the stigma and increase reporting.
- 3.3. In relation to the Business Grant Schemes, as previously reported, the focus now relates to debt; recovery, reconciliation and transfer to the Department for Business and Trade (DBT). A further extension to the deadline for debt liability transfer from 31 December 2024 to 30 June 2025 has been granted.
- 3.4. All Local Authorities participate in the Cabinet Office's National Fraud Initiative, which is a data matching exercise to help prevent and detect fraud nationwide. The use of data by the Cabinet Office in a data matching exercise is carried out with statutory authority under Part 6 of the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under Data Protection Legislation.
 - In relation to the 2022/23 data sets, all matches have been reviewed. Referrals and recommendations have been made to the appropriate teams or external organisations.

- The team received 1,461 Council Tax related matches as a result of the 2023/24 data sets. These have also been reviewed, and 79 recommendations were made to the Revenues Team resulting in 65 accounts being updated, increased Council Tax revenue of £43,946 and 11 Civil Penalties, totalling £770, being applied.
 - 2,075 matches have been received as part of the 2024/25 cycle – these relate to Council Tax, Housing Benefit, Council Tax Reduction Scheme, Housing and Payroll discrepancies and will be reviewed in due course.
- 3.5. In addition to the review of single person discount anomalies identified by the NFI exercise, the CFEU and the Revenues Team undertook proactive work to review those households with a discount applied. During 2023/24, 2,645 accounts were reviewed and during 2024/25, 5,028 accounts were reviewed. This resulted in increased Council Tax revenue of £21,351 and 2 Civil Penalties, totalling £140, being applied. A report was issued to the Revenues Team regarding comparative results and information detailing the most effective method of review for consideration.
- 3.6. Work was completed with the Benefits Team to review all Council Tax Reduction Scheme (Council Tax Support) claims. 146 cases were reviewed resulting in 38 updated claims. This identified incorrectly paid Council Tax Support of £12,819.
- 3.7. A review of the Housing Waiting List has been completed. This included verification of applications within Emergency Band (52 applications), Gold Band (78 applications) and Silver Band (592 applications). This resulted in 319 recommendations being issued to the Housing Team. 8 applications have been removed from the Emergency and Gold Band Lists representing a figure of £34,264. Silver Band results are pending.
- 3.8. Each cancelled housing application represents a property which can be reallocated to another eligible family. The National Fraud Initiative applies a figure of £4,283 for each application removed, to represent the value of future losses prevented as a result of removing an applicant. This represents a saving on the cost of temporary accommodation. In addition, the result of the band re-prioritisation is that those families who are correctly banded have a greater chance of being housed and housed more speedily.
- 3.9. In December 2024 there were approximately 15,527 active household applications on the register for Gloucestershire, 3,014 of those relate to the Council. The CFEU undertakes reviews of the Emergency, Gold and Silver Band Lists for Cheltenham Borough, Cotswold District, Forest of Dean District, Stroud District and Tewkesbury Borough Councils. This consistent approach

provides assurance that both locally and across the County we are maximising savings in this area and ensuring priority applicants are dealt with expediently.

- 3.10. The CFEU Officer receives the list of applications within the individual bands, the review of the Emergency and Gold Banded applications is undertaken as a priority. The task of the reviewing officer is to establish the veracity of the reason for the application, for example overcrowding, homelessness, significant medical need or downsizing. Checks relating to occupancy and residential status / history are made and any discrepancies are forwarded to the Housing Team for review.
- 3.11. Criminal Enforcement, Regulation of Investigatory Powers Act and Investigatory Powers Act refresher training was delivered to enforcement colleagues across the Council during the year.
- 3.12. A data matching exercise has been completed across the partnership in relation to awards of small business rates relief. 6 premises were flagged for further investigation and subsequently 4 accounts were updated resulting in additional business rates totalling £18,182.
- 3.13. **Reactive Case Results 2024/25**
- 3.14. In addition to the strategic support and agreed annual work plan, as a dedicated investigatory support service, the CFEU undertakes a wide range of enforcement and investigation work according to the requirements of each Council. This includes criminal investigation and prosecution support for enforcement teams, investigations into staff/member fraud and corruption, or tenancy and housing fraud investigation work.
- 3.15. During 2024/25, the team received 92 referrals relating to non-housing/tenancy matters, 18 cases were opened, 22 cases were closed, 43 referrals resulted in advice / referral was declined and 41 matters were referred to the Department for Work and Pensions.
- 3.16. 6 cases related to investigations with regulatory enforcement teams across the Council. This resulted in the following:
 - The removal of 2 incorrect Council Tax discounts. Increased Council Tax revenue totalling £805 and 1 Civil Penalty totalling £70 being applied.
 - Increased Business Rates Liability totalling £10,738.
 - Work undertaken with the Environmental Health Team resulted in a successful prosecution relating to a failure to comply with a Control of Pollution Act Notice during the construction of the Lidl Store, Charlton Kings.

The individual was found guilty in absence and received a Fine for £6,000 and was ordered to pay £4,835 costs.

- 3.17. The CFEU has been tasked with undertaking the investigation of alleged fraud and abuse in relation to the Council Tax Reduction Scheme (Council Tax Support), working closely with the Department for Work and Pensions in relation to Housing Benefit investigations. 10 cases were opened, and 12 cases were closed resulting in the following.
- Increased Council Tax revenue of £11,735.
 - 4 Civil Penalties totalling £240.
 - 1 Criminal Penalty totalling £523 was accepted.
- 3.18. The team received 1 referral relating to staff matter and supported the Director of Governance, Housing and Communities with an investigation.
- 3.19. The CFEU continues to support the Council in tackling tenancy fraud. The overall remit is to prevent, detect and deter abuse of public funds and social housing. Housing and tenancy fraud remains as one of the top four areas of fraud and abuse within the public sector. This takes many forms, but the two most significant areas are Right to Buy and Illegal Subletting. The CFEU will continue to work with the Council and social housing providers to tackle this effectively. A report was presented to Cabinet Housing Committee in March 2025 detailing the work undertaken during 2024/25.
- 3.20. The Counter Fraud Officers are authorised under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014. This means they are authorised to obtain information relating to an individual from organisations such as financial institutions (banks, credit card companies), utility companies, communications providers and so on. The Act also created new offences in relation to housing fraud that can be prosecuted by Local Authorities acting on behalf of Social Landlords. During 2024/25, the team have opened 12 cases and closed 5 cases relating to housing and tenancy fraud such as abandonment, illegal succession, subletting, false housing applications, right to buy fraud.
- 3.21. In addition, the team have received 474 verification requests regarding checks for homelessness, right to buy, succession or housing applications. In relation to right to buy applications, additional checks have been introduced to ensure that any resultant benefit issues are addressed.
- 3.22. A Housing and Tenancy Fraud Policy was presented to Cabinet for approval in June 2024.

3.23. As a rough guide, the Fraud Advisory Panel, Charity Commission, Tenancy Fraud Forum and others have produced a new method using a standard formula to arrive at an average national cost to the taxpayer per detected tenancy fraud of £42,000. The formula considers:

- The annual average temporary accommodation cost per family for individual Councils (£12,100) multiplied by 3 being the typical duration of for one of these frauds = £36,300;
- Add the average investigation costs (£1,300), average legal costs (£1,000) and the average void costs (£3,140)
- = £41,740 approximated to £42,000.

3.24. **Regulation of Investigatory Powers Act 2000 (RIPA) / Investigatory Powers Act 2016 (IPA)**

3.25. The Council's policies are based on the legislative requirements of these Acts and supporting guidance relating to directed surveillance and the acquisition of communications data.

3.26. The Policies were reviewed and presented to the Audit, Compliance and Governance Committee in January 2020; these were adopted by Cabinet in February 2020. The Use of the Internet and Social Media in Investigations and Enforcement Policy, presented to Audit, Compliance and Governance Committee in September 2021 and adopted by Cabinet in November 2021.

3.27. The Policies were reviewed in July 2023 by the Investigatory Powers Commissioner's Office (IPCO). The Policies were fully endorsed with a request to remove any reference to the OSC Procedures and Guidance document as it has been removed from circulation. This has been done. It is not therefore proposed that the Policies will be presented to Members for approval following the review, but copies can be found on the Council's website. There have been no subsequent amendments to date.

3.28. The Council must have a Senior Responsible Officer and Authorising Officers to approve any applications for surveillance or the use of a Covert Human Intelligence Source, before the Court is approached. The Senior Responsible Officer is the Chief Executive, and the Authorising Officers are the Director of Governance, Housing and Communities and the Head of Public Protection.

3.29. All applications for communications data are made online via the National Anti-Fraud Network (NAFN) which acts as the single point of contact for Councils. There is a requirement for the Council to nominate a Designated Senior Officer who will confirm to NAFN that the Council is aware of any request and approves its submission. This role is undertaken by the Head of

Service, CFEU.

- 3.30. The Council was inspected by IPCO, regarding its compliance with the legislation in July 2023. The next inspection is due in 2026.
- 3.31. There have been no RIPA applications made by the Council during 2024/25 and no applications were made for communications data. There have been 5 Non-RIPA applications made during 2024/25 concerning overt activity.
- 3.32. The Council takes responsibility for ensuring its procedures relating to surveillance and the acquisition of communications data are continuously improved and all activity is recorded.

4. Alternative options considered

- 4.1. None.

5. Consultation and feedback

- 5.1. Work plans are agreed and reviewed regularly with the Director of Finance and Assets and Director of Governance, Housing and Communities.
- 5.2. Any Policies drafted or revised by the Counter Fraud and Enforcement Unit have been reviewed by One Legal and have been issued to the relevant Senior Officers, Governance Group and Executive Leadership Team for comment.

6. Key risks

- 6.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds.
- 6.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

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Appendices:

- i. Risk Assessment

Background information:

N/A.

Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1	The authority suffers material loss and reputational damage due to fraud	Executive Director Finance and Assets	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing
2	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	Executive Director Finance and Assets	3	4	12	Reduce	Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing